



ENERGY RISK MANAGEMENT

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NATURAL GAS & POWER MARKET REPORT FOR JUNE 9, 2010

NATURAL GAS MARKET NEWS

The Natural Gas Supply Association said today that they look for the U.S. wholesale natural gas market this summer to be similar to last summer. The trade group while not ruling out several wild cards that could impact natural gas prices, felt the key factors affecting supply and demand should have an overall neutral impact on prices this summer compared to the summer of 2009. The group looks for the improving economy and rebounding industrial sector, especially in the chemical and metal sectors to boost demand for natural gas this summer, but this will be offset by more production, similar weather and comparable storage inventories to last year. It said wild cards could be a potentially more active hurricane season, which could lead to more disruptions in Gulf Coast gas supplies as well as the moratorium on drilling in the Gulf of Mexico due to the BP oil spill that could lower production estimates as well.

Pennsylvania regulators on Wednesday ordered natural gas well contractor C.C. Forbes to stop work on all Marcellus Shale wells following its involvement in a well blowout back on June 3rd. The company provided post-hydraulic fracturing services to EOG Resources, operator of the Clearfield County well that blew gas and drilling fluid into the air as workers were beginning to start gas production at the well. The company will need to receive written approval from regulators before it can resume activities once again.

Qatar's Minister of State said today, that Qatar expects to reach its goal of having the capacity to liquefy 77 million tones of natural gas annually before the end of the year. He sees Qatargas, one of two major liquefaction projects in the country, to complete work on two remaining units by year-end. He said all projects in the country are progressing well. He played down recent news reports of maintenance issues at both Qatargas and RasGas. He said, "There is no issue whatsoever."

A Shell spokesman said today that gas flows through its St. Fergus UK gas terminal were reduced after the FLAGS pipeline feeding the terminal was shutdown. There reportedly was a problem with a

Generator Problems

NPCC – Operators at Entergy's 620 Mw Vermont Yankee nuclear plant warned that they are planning to replace a relief valve in a heat exchanger that caused a minor leak yesterday. The company though declined to say when the work would be done and if it would entail the unit being shut or reduced in order for the work to be completed.

PJM – Dominion's 925 Mw North Anna #2 nuclear unit was at 78% power early this morning, down 1% from yesterday.

SERC- Dominion's 799 Mw Surry #1 nuclear unit was shut today due to the loss of an electrical bus. The unit had been at full power on Tuesday.

Southern's 876 Mw Hatch #1 nuclear unit was operating at 28% power this morning due to a condenser vacuum problem.

WSCC – Energy Northwest said it has reduced production to 40% power at its Columbia nuclear generating station, down 15% from Tuesday. While no reason was given it was believed to be the result of an economic dispatch request from BPA.

MISO – NPPD's 800 Mw Cooper nuclear unit was at 85% power this morning, up 29% from yesterday.

FirstEnergy's 1231 Mw Perry nuclear unit was at 93% power, down 1% from yesterday. Operators had reduced power to 28% over the weekend to fix an electrical problem with a recirculation pump.

The NRC reported this morning that some 90,785 Mw of nuclear power was generated today, down 1.2% from yesterday and 2.1% below the same day a year ago.

processing module. The company declined to give a restart date of the pipeline or when the St Fergus gas supply levels would increase.

| Natural Gas Cash Market | | | | | | |
|--------------------------|---------------|-----------|-----------|------------------------|-----------|------------------------|
| ICE Next Day Cash Market | | | | | | |
| Location | Volume Traded | Avg Price | Change | Basis (As of 12:30 PM) | Change | Basis 5-Day Moving Avg |
| Henry Hub | 889,200 | \$4.753 | (\$0.133) | \$0.028 | (\$0.126) | (\$0.160) |
| Chicago City Gate | 532,900 | \$4.785 | (\$0.164) | \$0.060 | (\$0.124) | (\$0.014) |
| NGPL- TX/OK | 675,900 | \$4.617 | (\$0.155) | (\$0.108) | (\$0.115) | (\$0.184) |
| SoCal | 539,700 | \$4.470 | (\$0.211) | (\$0.255) | (\$0.171) | (\$0.315) |
| PG&E Citygate | 854,500 | \$4.572 | (\$0.232) | (\$0.153) | (\$0.192) | (\$0.148) |
| Dominion-South | 397,000 | \$4.866 | (\$0.150) | \$0.141 | (\$0.110) | \$0.058 |
| USTrade Weighted | 21,682,700 | \$4.628 | (\$0.166) | (\$0.097) | (\$0.13) | (\$0.160) |

Total SA said today that production has been halted at its North Sea Elgin field following a minor technical problem discovered late Tuesday night. The field feeds

into Britain's Bacton SEAL terminal. The terminal showed an overnight drop of 14 mcm a day in supply to 8 mcm/d.

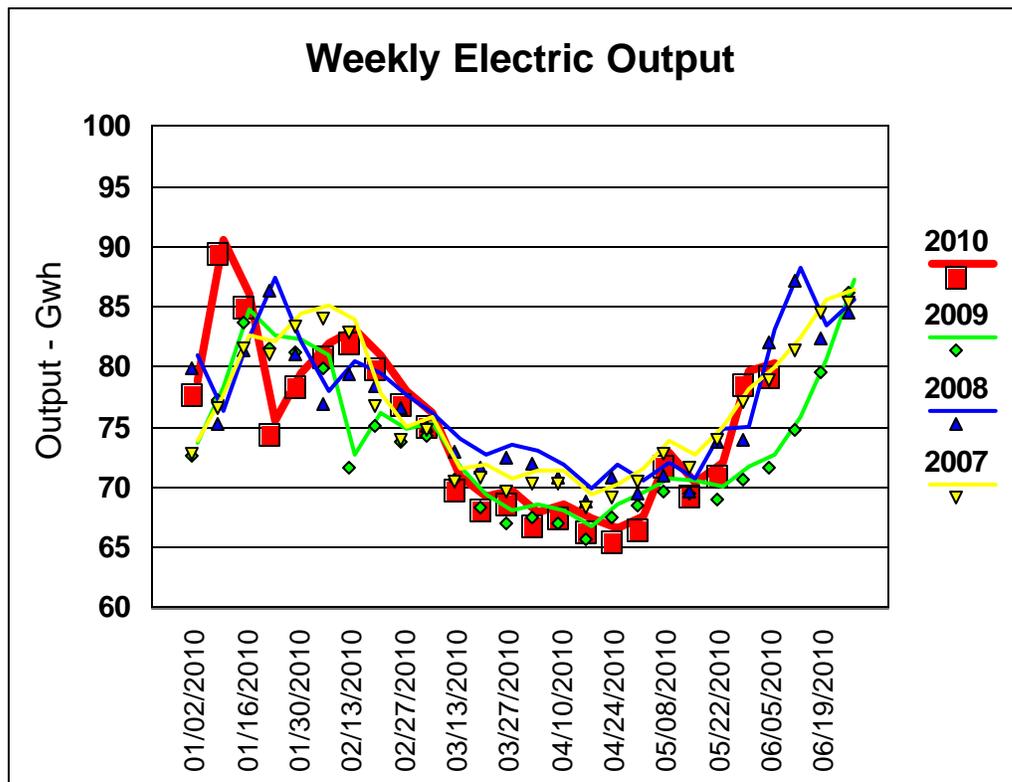
The Lusail LNG tanker is slated to arrive at the Belgian Zeebrugge import-export terminal on June 24th. It is believed the ship is carrying 145,702 cm of LNG from Qatar.

TransCanada said it has reached a settlement on Alberta System and Foothills Pipelines. The company said the settlement would set an equity return at 9.7% with 40% deemed common equity capital structure. The company says it is not seeking a change to the Alberta system 2010 interim rates at this time. The company has filed an application with the National Energy Board for approval of the settlement.

Interior Secretary Salazar said today that his department could consider lifting the 6-month moratorium on deep water exploratory drilling, if it receives recommendations from the presidential commission before that period ends.

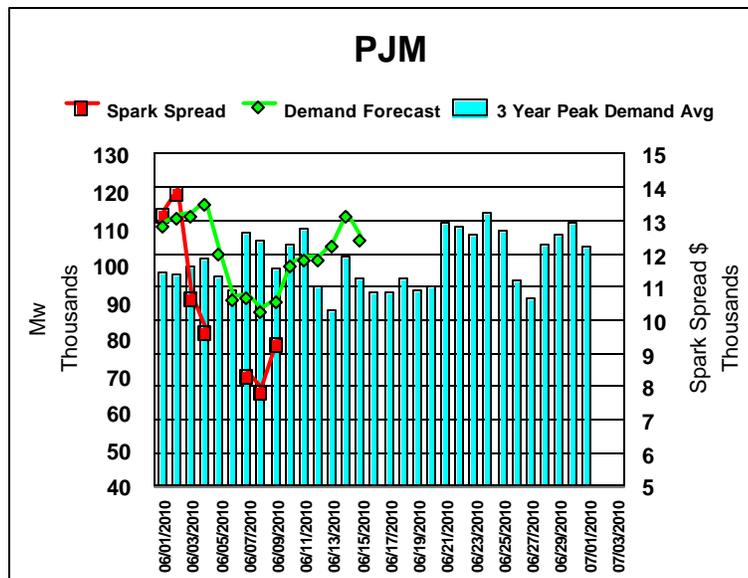
Senate Banking Chairman Dodd said today that a proposal to require banks to spin off swaps desks, as proposed by Senator Lincoln, is a "strong provisions in the bill". Senator Harkin today said he

supported the provision and does not want to see it "tinkered with."



PIPELINE RESTRICTIONS

NGPL said that effective today and until further notice Bridgeline Vermillion, on Segment 24 in the Louisiana Zone has limited capacity available for deliveries. Limited interruptible transportation service/authorized overrun and secondary firm transports are available. The company also said it is at capacity for gas going northbound through Segment 14 and southbound through Segment 16. Interruptible transportation service/authorized overrun and secondary out of path firm transports are at risk of not being fully scheduled.



Tennessee Gas Pipeline said that effective for today it has restricted Niagara Spur Backhaul Point. The company restricted through approximately 68% of market to supply secondary out of the path nominations pathed through the Niagara Spur Backhaul Point.

PG&E has issued a system wide OFO for June 10th due to high inventory. The company set a 5% tolerance.

PIPELINE MAINTENANCE

Gulf South said it has rescheduled for the second time pipeline maintenance on Index 301-4-2 (Bogalusa to Amite 6-inch). The work, originally slated to begin June

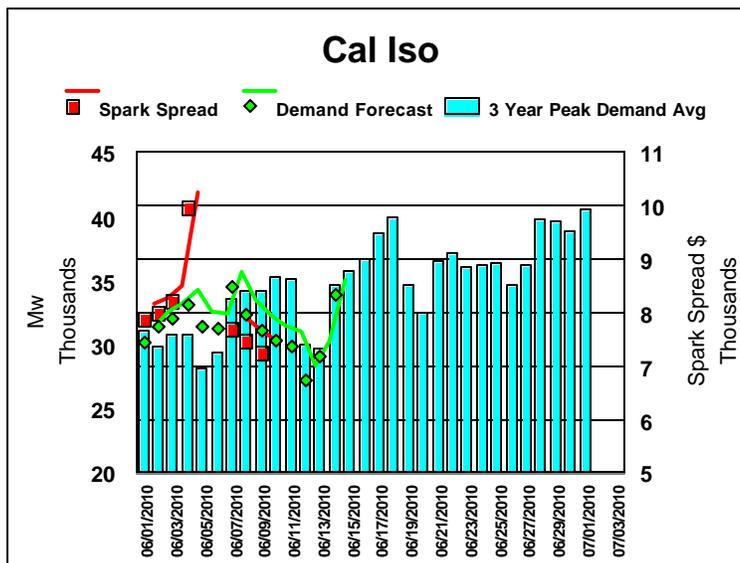
1st, was later scheduled for June 7th, will now begin on June 14th. Work is expected to last for 48 hours. The company also announced it will perform compressor maintenance on the Napoleonville Compressor Station turbine unit beginning the morning of June 14th and lasting for two weeks. Based on current system operations and nominations, the company does not anticipate any impact to shippers.

ELECTRIC MARKET NEWS

The Edison Electric Institute reported that power production in the continental U.S. for the week ending June 5th reached 79,309 Gwh, up 1% from the previous week and some 9.7% higher than a year ago.

MARKET COMMENTARY

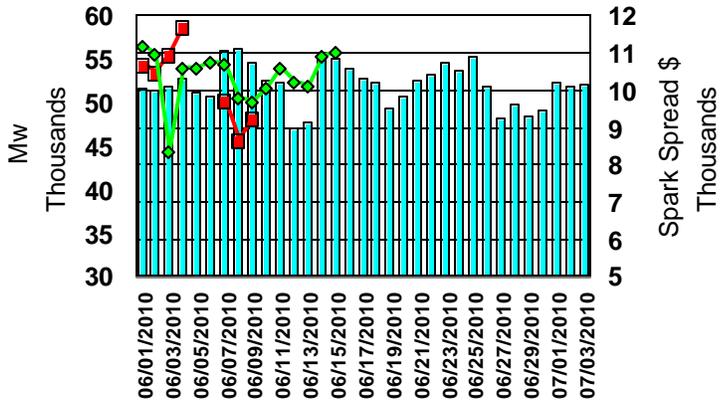
The natural gas market posted its second day in a row with a lower settlement, as the market has nearly retraced 38% of its recent two-week rally. Moderate temperatures expected for the next two weeks coupled with extremely quiet tropics has prompted this market to take a pause and some profit taking in front of tomorrow's storage report.



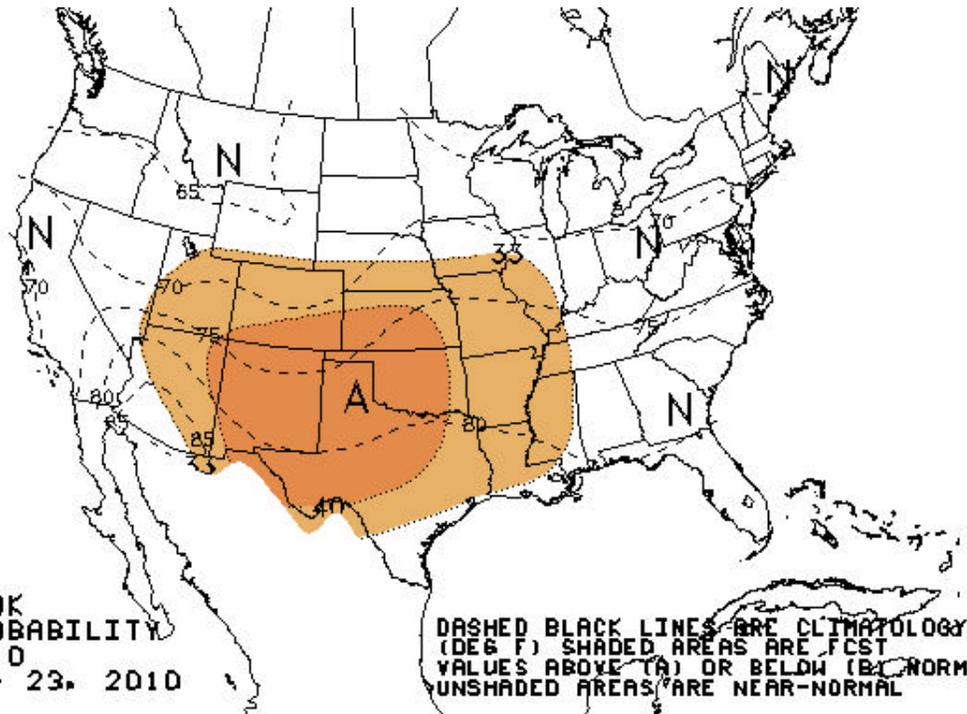
Market expectations for Thursday's gas storage report appear to range from an 80-100 bcf build with most centered around a 95 bcf build. For the same week a year ago stocks grew by an adjusted 109 bcf, while the five-year seasonal average shows a 95 bcf gain.

ERCOT

■ Spark Spread ■ 3 Year Peak Demand Avg
◆ Demand Forecast



We remain comfortable in holding our short \$5.00 call position in the July contract. We feel that this market will have problems breaching the \$5.00 price barrier tomorrow and maintaining it even with a supportive storage report. We feel in order for this market to remain in a bullish trend we will need to see the tropics come to life and most forecasters do not see that as a real possibility until the beginning of July at the earliest. The Oct Jan spread also saw some profit taking today as that finished the day nearly 8 cents lower than Tuesday and 12.7 cents lower than Friday's high.



**8-14 DAY OUTLOOK
 TEMPERATURE PROBABILITY
 MADE 9 JUN 2010
 VALID JUN 17 - 23, 2010**

**DASHED BLACK LINES ARE CLIMATOLOGY
 (DEG F) SHADED AREAS ARE FCST
 VALUES ABOVE (A) OR BELOW (B) NORMAL
 UNSHADED AREAS ARE NEAR-NORMAL**

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